

Message Text

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DRAFTED BY EB/IFD/OAIIA:WHCOURTNEY/ARA/LA/BC:JEKARKASHIAN
APPROVED BY ARA:MR. KUBISCH
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FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO PRIORITY

C O N F I D E N T I A L STATE 196390

EXDIS

E.O. 11652: GDS

TAGS: EIND, CI

SUBJ: KENNECOTT MEETING WITH ASSISTANT SECRETARY KUBISCH

REF: STATE 188709

1. KENNECOTT OFFICIALS (MILLIKEN, MICHAELSON, GORMAN, AND MCCREARY) CALLED ON ASSISTANT SECRETARY KUBISCH ON SEPTEMBER 26. KUBISCH BEGAN THE DISCUSSION BY ASKING MILLIKEN HOW KENNECOTT SAW RECENT EVENTS IN CHILE AND THE POSSIBLE EFFECT ON THE COMPANY'S INTERESTS.

2. MILLIKEN EXPRESSED REGRET THAT DEMOCRATIC INSTITUTIONS HAD BEEN RUPTURED; HE PARTICULARLY DEPLORED THE USE OF VIOLENCE, WHICH, HE SAID, MIGHT HAVE SOLVED AN IMMEDIATE PROBLEM, BUT WAS IN THE LONG RUN BAD FOR CHILE, BAD FOR LATIN AMERICA AND BAD FOR KENNECOTT.

3. KUBISCH NOTED THAT THERE WERE CERTAINLY ASPECTS OF THE SITUATION WHICH WERE CAUSE FOR CONCERN.

HE OBSERVED THAT THE NEW GOVERNMENT
WOULD REQUIRE ASSISTANCE IN PUTTING THE CHILEAN ECONOMY
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BACK ON ITS FEET AFTER THE CHAOS OF THE ALLENDE YEARS.
HE ALSO NOTED THAT THE JUNTA IS UNDERSTANDABLY CONCERNED
ABOUT THE POSSIBILITY OF LINGERING INSURGENCY FROM
MILITANT ALLENDE SUPPORTERS. MILLIKEN REMARKED THAT

LARGE COPPER INSTALLATIONS ARE PARTICULARLY VULNERABLE TO DISRUPTION AT THE HANDS OF A FEW SKILLED SABOTEURS.

4. KUBISCH STATED HIS BELIEF THAT THE JUNTA WOULD SEEK TO WORK CLOSELY WITH OTHER FRIENDLY GOVERNMENTS AND TO ADOPT SOUND MONETARY, FISCAL, AND OTHER ECONOMIC POLICIES TO SPEED RECOVERY PROCESS. HE NOTED, HOWEVER, THAT WE COULD NOT AT THIS TIME TELL WHETHER WE WOULD SUPPORT SPECIFIC POLICIES.

5. IN RESPONSE TO A REQUEST FOR HIS VIEWS ON HOW KENNECOTT WOULD PROCEED IN THE NEW CIRCUMSTANCES, MILLIKEN SAID THE COMPANY HAD DECIDED ON A "WAIT-AND-SEE" POLICY AND WAS NOT NOW PLANNING TO SEND A REPRESENTATIVE TO CHILE. (HE NOTED THAT THE DANGER OF VIOLENCE WOULD MAKE HIM RELUCTANT TO ASK ANYONE TO GO.) HE ADDED THAT HE UNDERSTOOD RAUL SAEZ WAS ADVISING THE NEW GOVERNMENT ON ECONOMIC MATTERS, AND NOTED THAT SAEZ WAS VERY WELL ACQUAINTED WITH KENNECOTT'S SITUATION. MILLIKEN COMMENTED THAT NOW WAS NOT THE TIME FOR KENNECOTT TO TAKE ANY INITIATIVES. HE WOULD HAVE PREFERRED, HE SAID, A SETTLEMENT THROUGH A DEMOCRATIC PROCESS RATHER THAN THROUGH A COUP, EVEN IF THIS TOOK LONGER. MILLIKEN EXPRESSED CONCERN THAT KENNECOTT WOULD BE OPEN TO THE CHARGE THAT IT WAS TAKING ADVANTAGE OF THE NEW SITUATION. KUBISCH NOTED THAT THERE IS A GENERAL PRESUMPTION--IN THE PRESS, IN CONGRESS, AND ELSEWHERE--THAT ALLENDE'S OVERTHROW WAS IN THE INTERESTS OF THE UNITED STATES. HE POINTED OUT THAT EVEN IF THE ALLENDE GOVERNMENT HAD WANTED TO PAY COMPENSATION, IT WAS BROKE AND COULDN'T PAY. HE NOTED, HOWEVER, THAT WITH SOUND ECONOMIC POLICIES THE NEW GOVERNMENT COULD EARN THE FOREIGN EXCHANGE TO MAKE A SETTLEMENT.

6. IN RESPONSE TO A QUESTION ON THE STATUS OF ITS EUROPEAN LAWSUITS, MILLIKEN SAID THAT THE COMPANY WOULD CONFIDENTIAL

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PURSUED THESE LEGAL ACTIONS BECAUSE IT BELIEVED IT WAS DEPRIVED OF ITS PROPERTIES BY ILLEGAL PROCEDURES, AND NOTHING HAD CHANGED JUST BECAUSE A NEW GOVERNMENT WAS IN POWER. WITH RESPECT TO THE CASES ALREADY IN THE EUROPEAN COURTS, HE ASSERTED THAT THE COMPANY WAS NOT IN A POSITION TO WITHDRAW, AND THAT THE PROCEEDINGS WOULD NECESSARILY CONTINUE.

7. CONCERNING THE POSSIBILITY OF WORKING OUT SOME ARRANGEMENT WITH THE NEW GOVERNMENT TO RUN ITS FORMER MINE, MILLIKEN SAID THAT HE HAD NO INTEREST IN ANY TYPE OF FIXED MANAGEMENT FEE ARRANGEMENT. HE SPECIFICALLY REJECTED THE POSSIBILITY OF AN ARRANGEMENT INVOLVING

COMPENSATION FOR THE COMPANY'S EXPROPRIATED EQUITY ON THE GROUND THAT IT WOULD BE UNREASONABLE TO EXPECT KENNECOTT TO PROVIDE ADDITIONAL SERVICES TO OBTAIN PAYMENT OF MONIES IT IS ALREADY LEGALLY ENTITLED TO RECEIVE. MILLIKEN SUBSEQUENTLY OBSERVED THAT KENNECOTT MIGHT CONSIDER, AS A "NEW VENTURE", A LONG-TERM CONTRACT WITH FULL MANAGERIAL CONTROL AND A RETURN ANALOGOUS TO WHAT IT WOULD HAVE RECEIVED IF IT STILL OWNED THE MINE. AS AN EXAMPLE, MCCREARY REFERRED TO "CONTRACTS OF WORK" BETWEEN INVESTORS AND THE GOVERNMENT OF INDONESIA; THESE CONTRACTS TECHNICALLY INVOLVE NO OWNERSHIP BUT IN EFFECT PROVIDE THE BENEFITS OF EQUITY OWNERSHIP.

8. KUBISCH NOTED THAT THE NEW GOVERNMENT HAS SENT A TEAM TO NAIROBI TO ENGAGE IN A PRELIMINARY EXCHANGE OF VIEWS WITH OTHER GOVERNMENTS. HE SAID THE CHILEANS WERE REPORTED TO BE SEEKING A DELAY IN THE NEXT PARIS CLUB MEETING FROM OCTOBER TO POSSIBLY NOVEMBER AND IN THE MEANTIME, THEY WANTED TO STIMULATE A CIAP-SPONSORED MISSION TO PREPARE AN ASSESSMENT OF THE CHILEAN ECONOMIC SITUATION WHICH WOULD PAVE THE WAY FOR A STABILIZATION PROGRAM AND NEW ASSISTANCE.

9. REFERRING TO OUR BILATERAL DISCUSSIONS WITH THE ALLENDE GOVERNMENT ON COMPENSATION, KUBISCH SAID THAT WE HAD MET WITH THE CHILEANS ON FOUR SEPARATE OCCASIONS
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AND, WHILE WE HAD NOT ACHIEVED ANY BREAKTHROUGH, WE HAD AT LEAST NARROWED THE GAP SOMEWHAT BETWEEN THE RESPECTIVE POSITIONS. KUBISCH CONCLUDED BY NOTING THAT CHILE WAS ONE OF HIS PRIMARY CONCERNS, AND WITHIN THAT CONTEXT KENNECOTT'S PROBLEM PLAYED AN IMPORTANT ROLE. MILLIKEN OFFERED TO KEEP IN TOUCH ON ANY FUTURE DEVELOPMENTS. KISSINGER

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